

KENT COUNTY WATER AUTHORITY

MINUTES OF THE MEETING OF THE BOARD

September 20, 2012

A regular meeting of the Board of Directors of the Kent County Water Authority was held on the 20th day of September, 2012, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Boyer opened the meeting at 3:30 p.m.. Board Members Mr. Gallucci, Mr. Giorgio, Mr. Inman and Mr. Masterson were present together along with the General Manager Timothy J. Brown, Director of Administration and Finance Jo-Ann Gershkoff, legal counsel Patrick J. Sullivan, Esq. as well as Mr. Duchesneau. Mr. Duchesneau led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of August 16, 2012 were presented for approval. Mr. Giorgio moved passage, seconded by Mr. Masterson, and the minutes were unanimously approved.

GUESTS

3:30 p.m. High Service Requests:

3705 Division Street, East Greenwich, RI

Steven Cornwall appeared before the Board seeking water service in the high service area. He reports no water in his well, and he requires water for his additional one thousand square feet of living space. Mr. Masterson reports he visited the site. He reported that the well had been fracked once already.

It was moved by Mr. Masterson, seconded by Mr. Giorgio, to conditionally approve the request for water supply to a single family home with the following conditions in lieu of a moratorium:

1. The Kent County water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water Supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, KCWA is in the process of planning for additional water supply and therefore delays or diminution in service make occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.
3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal single-family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.
5. Only conservation-Wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Upon Motion made, and duly seconded, and unanimously voted,

VOTED: That based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in lieu of a moratorium:

1. The Kent County water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water Supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA, KCWA is in the process of planning for additional water supply and therefore delays or diminution in service make occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.
3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal single-family home application. The

applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-Wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Lot 41 Hopkins Hill Road, Coventry, RI

James Cantara appeared before the Board seeking water service in the high service area. He has been granted approval several times previously, at six-month intervals. He explains he needs to renew each six-month interval while the lot remains for sale. He needs to show prospective purchasers that water availability attaches to the lot to make it marketable. General Manager Tim Brown indicated that the request for water should normally accompany the building permit at the time the building permit is requested. A discussion ensued regarding the propriety of tabling the application, and when the lot is sold or the building permit is filed, the application be removed from the table.

It was moved by Mr. Inman and seconded by Mr. Masterson to table the application.

Upon Motion made, and duly seconded and unanimously voted,

VOTED: That the application of Mr. James Cantara is tabled until further notice.

LEGAL COUNSEL

The Chairman Boyer and the members of the Board warmly welcomed the new legal counsel to the meeting, Patrick J. Sullivan from Sullivan & Sullivan, as general counsel, and Robert Watson, as Rate counsel. General Manager Brown submitted the engagement agreements for each general counsel and Rate counsel to the Chairman for approval and execution.

Mr. Gallucci moved approval, and Mr. Giorgio seconded.

Upon Motion duly made and seconded, and unanimously approved:

VOTED: That Chairman Boyer is authorized and empowered to execute both engagement agreements, one with Sullivan and Sullivan as well as one with Robert Watson.

LEGAL

The General Manager gave the brief report and request relative to legal based upon the transition

in legal counsel. General Manager Brown reports little activity with regard to legal matters and reported that there exists a few housekeeping matters that prior legal counsel was working on.

The Department of Labor matter is complete from the case perspective. The Authority simply awaits a decision and the matter should end with the decision. The consensus of the Board was to leave that matter to the attorneys handling it.

Additionally, General Manager Brown has indicated the matter with Mr. Pagliarini which is currently before the PUC has been continued to October 10, 2012, and that the pre filed testimony was just submitted. He indicated there is but one witness remaining, and the consensus of the board was that this matter remain with the former attorney assigned to hear it.

All remaining legal matters will be transferred to the new legal counsel.

Director of Finance Report (Attachment “A”)

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. Statement of Cash Location FY 2012-2013 and Cash Receipts and Disbursements FY 2012-2013 attached as “A”, and after thorough discussion with regard to the sales and revenue. The Finance Director indicated there was no July closing since the auditor had just finished, and she needs the adjusted numbers from the auditors effective June 30, 2012 before she can close out the month.

Mr. Gallucci moved and seconded by Mr. Masterson to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the financial report and Statement of Cash Location FY 2012-2013 and Cash Receipts and Disbursements FY 2012-2013 attached as “A”, be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

Mr. Masterson and the remaining board members welcome the newly engaged legal counsel and the attorneys thank the board for their confidence.

GENERAL MANAGER/CHIEF ENGINEER’S REPORT (Attachment “B”)

Bid Award Tank Reimbursement

The general manager reported that bids had been received on Thursday, September 13, 2012 for the tank refurbishment the Technology Park Tank that had been damaged on the interior coating. As result of mediation, the authority recovered \$80,000 for this work.

The general manager recommends that all bids received to refurbish the tank be rejected as he thought they were exceptionally high. He recommends that the project be rebid late winter for a spring or fall repair.

Re-Service Hope/Cranston report

The general manager reports that the re-service of the Hope Road area, Seven Mile Road, sections of Cranston and Scituate has been completed and has been well accepted by the residents. The general manager reports several leaks that have occurred, one of which is major, however all are based upon this re-service.

The general manager indicates that leaks are not unexpected when the pressure is increased. As the system stabilizes, he believes that the leaks should disappear as they are repaired. One leak which occurred on Saturday, September 8, 2012, was the most severe when a machine section of pipe split causing damage to home and to their grounds because of water and mudflow.

Further, on September 19, 2012, another break occurred 17 Meadow St. and the General Manager reports that the authority was able to catch the leak quickly resulting only in slight damage to the house at 16 Garden St. The general manager recommends that the authority move forward with an emergency replacement of this water main. It was initially installed by a private contractor and he reports that it is obvious that this main will not continue to take the increased pressure. He requested positive action be taken by the board prior to winter setting in. He recommends to replace the Meadow St., Garden Lane and Country Lane mains under our existing 2010A contract, as the contractor reports he would retain the pricing structure, and our engineer has also confirmed they will hold their pricing for the inspection work. The manager reports that since he was unable to place this on the agenda prior to the 48 hours that is required by the open meetings law, he will consider this and does consider this an emergency repair project and will request board ratification at the October board meeting. The general manager reports the work should take four to five weeks.

Restricted Operating Request for Use

The general manager reports that under our annual report filed each year to the Public Utilities Commission, the Authority has indicated that it has not achieved the revenue expected under the cost of service provided by them in our latest rate case, Docket No. 4142. The difference for FY 2012 is \$607,077.00. The balance in the restricted account exceeds that amount and the manager recommends that the board should look into the possibility of utilizing \$607,000.00 from the restricted operating account to balance the budget. The manager informed the board the account has not yet been used as of this date.

Chairman Boyer indicated this would not only help out now, but may set a precedent.

Mr. Masterson indicated that the Authority had previously requested additional revenues however that request wasn't granted.

Mr. Masterson moved and seconded by Mr. Giorgio to explore what is necessary and attempt to access the funds in the restricted account.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the general manager is authorized to investigate and attempt to recover \$607,000.00 from the restricted account to balance the budget for a revenue shortfall.

Easement National Grid/Quaker Booster

The general manager reports that there was an easement that is required to be executed at the meeting by the Chairman that will assign the easement for the the aerial and transformer pad for the Quaker Lane booster station. This is standard practice for National Grid.

Chairman Boyer adds for the record that he donated land to the Authority in the 1980's, but doesn't believe there would be a conflict to sign.

Mr. Gallucci moved and seconded by Mr. Giorgio to authorize the Chairman to execute the easement on behalf of the Authority.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the Chairman is authorized to execute the easement appended hereto and incorporated herein as if fully set forth herein.

Post Retirement Benefits

The General Manager discussed the post retirement medical benefit plan evaluation dated August 2012 required by GASB rule 45. He informed the board that the valuation is required every other year with a statistical update on the odd years and advised that the current annual required contribution is \$591,899.00. The current funding method utilized by the Authority is a pay as you go method, with an expected cost this year of \$107,252.00. The actual payments for July 1, 2011 were \$98,195.00.

The General Manager recommended that the board may want to consider a future trust fund in connection with the next rate case to potentially double the pay as you go amounts to show headway. The board was also provided with the new legislation that allows the authority's insurance carrier to establish assistance in the trust fund requirement.

Selection Engineer/Treatment Manager

The general manager discussed the qualifications and references of the applicant for the position, and as a result thereof, has recommended the board engage Mr. David Simmons for this position. This is a new dual position initially, created by the general manager, to be able to fill two slots with the ultimate goal of that position becoming the engineer's open slot position. This will assist the training of the employees for the operation of the plant as well as provide the necessary oversight with a licensed operator for the facility.

Chairman Boyer echoed the general manager's endorsement of Mr. Simmons. The board then discussed the rate of salary for the position, and the candidate's request for a salary of \$85,000.00. Mr. Inman reminded the board that \$80,000.00 was budgeted for the position.

Mr. Masterson moved and seconded by Mr. Giorgio to take the recommendation of the General Manager and offer employment to Mr. David Simmons, with a review of his pay rate at the conclusion of one year.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the General Manager is authorized to offer Mr. David Simmons employment as Selection Engineer/Treatment Manager.

Estimate Kahn Litwin Renza & Co. to Develop Scope of Work

The General Manager reported that he and Chairman Boyer sat with Kahn Litwin Renza & Co. to discuss the next phase of their proposed work pursuant to the Request for Qualifications. Their estimate was \$7,500.00, which the General Manager reports was extremely high. The report was to discuss reporting responsibilities, internal controls and general business practices. Chairman Boyer indicates that he agrees this work should be done, and that a “stranger’s look” at the Authority with a resulting report should assist the Authority.

Mr. Masterson reminds that the Authority already utilizes auditors, and cites a 1997 management and operations study. Mr. Inman asks if the rate could be negotiated. The Chairman suggested that the Authority engage the firm for an initial Scope of Work to see what is recommended. The Chairman also suggested that a fifteen-year-old study is hardly relevant today. Chairman Boyer asked the General Manager to negotiate the hourly rate downward, with Mr. Gallucci suggesting that the rate should not exceed \$200.00/hour.

Mr. Inman cautioned the board that if an issue is found and findings are set forth in a report, that the Authority may be required to follow it up, for if they don’t, it could hurt the Authority down the road. Mr. Gallucci reminded the board of the general assembly hearings where the Authority was vetted and nothing amiss was found.

CAPITAL PROJECTS:

CIP 1C Mishnock Well Treatment Plant and CIP 1B Mishnock Transmission

The General Manager reports the project is moving along quite well. He estimates, although the project is behind schedule, it is projected to be completed in April 2013. He went on to say he would not consider liquidated damages as of this point in time, and will examine if the Authority was truly damaged as a result of the extension of the schedule. He asked the board for a ratification of the August 16, 2012 signature of the Chairman for Change Order No. 1 which entails a 12” reduced high service extension to the treatment plant for fire protection at a cost of \$18,690.00.

Mr. Masterson moved and seconded by Mr. Giorgio to ratify the Chairman’s August 16, 2012 signature for approval of Change Order No. 1 for a new 12” reduced high service extension to the treatment plant for fire protection.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the board hereby ratifies the Chairman's August 16, 2012 signature for approval of Change Order No. 1 for a new 12" reduced high service extension to the treatment plant for fire protection.

INFRASTRUCTURE PROJECTS

IFR 2009B

The General Manager reports that construction is virtually complete, absent paving, for this project. Paving will be conducted in the spring after the winter settling. He asks that the board ratify the Change Order No. 2 which is for modifications to Seven Mile Rd. severing the in ground storage tanks at a cost of \$28,548.80.

Mr. Inman moved and seconded by Mr. Masterson to ratify approval of Change Order No. 2 which is for modifications to Seven Mile Rd. severing the in ground storage tanks at a cost of \$28,548.80.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the board hereby Change Order No. 2 which is for modifications to Seven Mile Rd. severing the in ground storage tanks at a cost of \$28,548.80.

IFR 2010A

The General Manager reports that construction is moving along well on this project, and it should be finished within one week. Paving will be in the spring as well. He reports that the City of Warwick still has time to put in a sewer line if they wanted to.

IFR 2010B

The General Manager informs the board that the bid opening is scheduled for October 3, 2012. He expects good bids as a result of the construction situation, and the work to be done in 2013 as winter is setting in quickly.

Quaker Lane Pumpstation Upgrade

The General Manager reports that construction of the wall has been completed, and a revised schedule is being reviewed. With a delay of 24 weeks on the pump delivery, this project isn't expected to be completed until spring or summer 2013.

Water Street Replacement

Construction in East Greenwich has begun on the sewer line. The General Manager reports that the water line will be replaced as well. He reports that the project should be complete this year, with paving next year. It is a joint project by the Authority and the Town of East Greenwich.

There being no further business before this meeting, on motion duly made by Mr. Inman, seconded by Mr. Gallucci and carried, the meeting was adjourned at 4:35 p.m.

Dated:

Legal Counsel